

73-8003

CHESANING PUBLIC LIBRARY

Saginaw County, Michigan

RECEIVED DEPT. OF TREASURY
GENERAL PURPOSE FINANCIAL STATEMENTS
✓ AUG - 3 2004
Year Ended March 31, 2004
LOCAL CREDIT & FINANCE DIV.

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Chesaning Public Library	County Saginaw
Audit Date March 31, 2004	Opinion Date July 16, 2004	Date Accountant Report Submitted to State: July 16, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

July 16, 2004

To the Library Board
Chesaning Public Library
Saginaw County, Michigan

We have audited the accompanying general purpose financial statements of the Chesaning Public Library, Saginaw County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Chesaning Public Library's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Chesaning Public Library, Saginaw County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS EXHIBIT A
March 31, 2004

	<u>Governmental Fund Type</u>	<u>Account Group General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
<u>Assets</u>			
Cash in bank	123 261 04	-	123 261 04
Petty cash	200 00	-	200 00
Taxes receivable	6 612 19	-	6 612 19
Furniture and equipment	-	184 803 63	184 803 63
Buildings, additions and improvements	-	179 839 00	179 839 00
Total Assets	<u>130 073 23</u>	<u>364 642 63</u>	<u>494 715 86</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	<u>9 900 07</u>	-	<u>9 900 07</u>
Total liabilities	<u>9 900 07</u>	-	<u>9 900 07</u>
Fund equity:			
Investment in general fixed assets	-	364 642 63	364 642 63
Fund balances:			
Unreserved:			
Undesignated	<u>120 173 16</u>	-	<u>120 173 16</u>
Total fund equity	<u>120 173 16</u>	<u>364 642 63</u>	<u>484 815 79</u>
Total Liabilities and Fund Equity	<u>130 073 23</u>	<u>364 642 63</u>	<u>494 715 86</u>

The accompanying notes are an integral part of these financial statements.

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Year Ended March 31, 2004

	<u>Governmental Fund Type General</u>
Revenues:	
Property taxes	98 950 72
State aid	6 338 90
Penal fines	52 123 90
Grant revenue	2 100 00
Interest	932 94
Miscellaneous	<u>20 353 28</u>
Total revenues	<u>180 799 74</u>
Expenditures:	
Culture – Library:	
Salaries	77 117 42
Payroll taxes	6 116 56
Dues and fees	20 561 28
Supplies	4 573 88
Books and materials	19 956 40
Utilities	9 063 97
Insurance	9 258 58
Professional services	1 900 00
Retirement	4 990 25
Repairs and maintenance	3 500 03
Miscellaneous	1 785 58
Capital outlay	<u>6 618 63</u>
Total expenditures	<u>165 442 58</u>
Excess of revenues over expenditures	15 357 16
Fund balance, April 1	<u>104 816 00</u>
Fund Balance, March 31	<u><u>120 173 16</u></u>

The accompanying notes are an integral part of these financial statements.

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended March 31, 2004

EXHIBIT C

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	96 000 00	98 950 72	2 950 72
State aid	6 338 90	6 338 90	-
Penal fines	52 123 90	52 123 90	-
Grant revenue	2 100 00	2 100 00	-
Interest	850 00	932 94	82 94
Miscellaneous	<u>14 980 40</u>	<u>20 353 28</u>	<u>5 372 88</u>
Total revenues	<u>172 393 20</u>	<u>180 799 74</u>	<u>8 406 54</u>
Expenditures:			
Culture – Library:			
Salaries	77 500 00	77 117 42	(382 58)
Payroll taxes	6 500 00	6 116 56	(383 44)
Dues and fees	18 000 00	20 561 28	2 561 28
Supplies	4 500 00	4 573 88	73 88
Books and materials	19 724 00	19 956 40	232 40
Utilities	9 400 00	9 063 97	(336 03)
Insurance	9 037 78	9 258 58	220 80
Professional services	1 900 00	1 900 00	-
Retirement	7 000 00	4 990 25	(2 009 75)
Repairs and maintenance	4 000 00	3 500 03	(499 97)
Miscellaneous	1 967 50	1 785 58	(181 92)
Capital outlay	<u>6 629 97</u>	<u>6 618 63</u>	<u>(11 34)</u>
Total expenditures	<u>166 159 25</u>	<u>165 442 58</u>	<u>(716 67)</u>
Excess (deficiency) of revenues over expenditures	6 233 95	15 357 16	9 123 21
Fund balance, April 1	<u>-</u>	<u>104 816 00</u>	<u>104 816 00</u>
Fund Balance, March 31	<u>6 233 95</u>	<u>120 173 16</u>	<u>113 939 21</u>

The accompanying notes are an integral part of these financial statements.

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Chesaning Public Library, Saginaw County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Library contain all the Library funds and account groups that are controlled by or dependent on the Library's executive or legislative branches.

The reporting entity is the Chesaning Public Library. The Library is governed by an elected Library Board. As required by generally accepted accounting principles, these financial statements present the Library as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, grants, and other intergovernmental revenues.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Library 2003 tax roll millage rate was .9455 mills, and the taxable value was \$105,418,662.00.

Fixed Assets

Purchases of general fixed assets are recorded as expenditures in the General Fund at the time of purchase. Such assets are capitalized at cost in the General Fixed Assets Group of Accounts. No depreciation has been provided on the general fixed assets.

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Library. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expense when paid.

Compensated Absences (Vacation and Sick Leave)

The estimated current portion of the liability for vacation and sick leave benefits attributable to the Library's governmental funds is recorded as an expenditure and liability in the respective funds. The long-term portion is recorded in the general long-term debt account group. Employees are paid for part of unused sick leave upon termination of employment.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Library Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Library Board.
5. The budgets are adopted on the modified accrual basis of accounting.

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

6. The originally adopted budgets can be amended during the year only by a majority vote of the Library Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Library Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Library provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Library Board has designated two banks for the deposit of Library funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 2 – Deposits and Investments (continued)

The Library's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>123 264 01</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	131 119 97
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>131 119 97</u>

As of March 31, 2004, the Chesaning Public Library did not have any investments.

Note 3 – Changes in General Fixed Assets

A summary of the changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Furniture and equipment	178 185 00	6 618 63	-	184 803 63
Buildings, additions and improvements	<u>179 839 00</u>	<u>-</u>	<u>-</u>	<u>179 839 00</u>
Totals	<u>358 024 00</u>	<u>6 618 63</u>	<u>-</u>	<u>364 642 63</u>

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 4 – Deferred Compensation Plan

The Library does not have a deferred compensation plan.

Note 5 – Defined Contribution Plan

The Library provides pension benefits for certain employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees working at least 1,000 hours per year are eligible to participate at the minimum age of eighteen. The Library and employees contribute 6% and 5%, respectively, of the employee's base compensation. Library contributions for each employee vest immediately.

The retirement plan expense for the Library amounted to \$4,990.25 for the year ended March 31, 2004.

Note 6 – Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Library has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 – Total Columns on Combined Statements --Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

CAMPBELL, KUSTERER & CO., P.C.

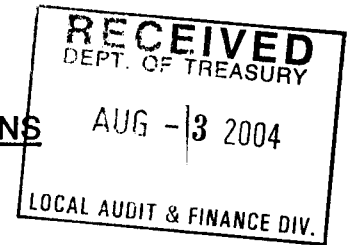
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



July 16, 2004

To the Library Board
Chesaning Public Library
Saginaw County, Michigan

We have audited the financial statements of the Chesaning Public Library, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Chesaning Public Library in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Library Board
Chesaning Public Library
Saginaw County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Library Board
Chesaning Public Library
Saginaw County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Chesaning Public Library will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Library will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Library's financial statements and this communication of these matters does not affect our report on the Library's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants